UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2024

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________ to __________

Commission file number 001-34245

THE YORK WATER CO MPANY
(Exact name of registrant as specified in its charter)

Pennsylvania (State or other jurisdiction of incorporation or organization)	23-1242500 (I.R.S. Employer Identification No.)
130 East Market Street , York , Pennsylvania (Address of principal executive offices)	17401 (Zip Code)

Registrant's telephone number, including area code (717) 845-3601

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, No par value (Title of Class)	YORW (Trading Symbol)	The Nasdaq Global Select Market (Name of Each Exchange on Which Registered)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

Smaller reporting company ☒ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock, No par value	14,344,608 Shares outstanding as of May 7, 2024

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THE YORK WATER COMPANY

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Balance Sheets (Unaudited)
(In thousands of dollars, except per share amounts)

	Mar. 31, 2024	Dec. 31, 2023
ASSETS		
UTILITY PLANT, at original cost	$ 628,710	$ 620,201
Plant acquisition adjustments	(9,364)	(9,384)
Accumulated depreciation	(116,918)	(117,113)
Net utility plant	502,428	493,704
OTHER PHYSICAL PROPERTY, net of accumulated depreciation of $ 511 in 2024 and $ 501 in 2023	1,559	1,569
CURRENT ASSETS:		
Cash and cash equivalents	3,321	1
Accounts receivable, net of reserves of $ 1,055 in 2024 and $ 1,005 in 2023	7,086	7,837
Unbilled revenues	3,575	3,484
Recoverable income taxes	–	332
Materials and supplies inventories, at cost	3,525	3,109
Prepaid expenses	1,432	821
Total current assets	18,939	15,584
OTHER LONG-TERM ASSETS:		
Prepaid pension cost	23,940	23,380
Note receivable	255	255
Deferred regulatory assets	50,257	48,949
Other assets	4,909	4,764
Total other long-term assets	79,361	77,348
Total Assets	$ 602,287	$ 588,205

The accompanying notes are an integral part of these statements.

THE YORK WATER COMPANY

Balance Sheets (Unaudited)
(In thousands of dollars, except per share amounts)

	Mar. 31, 2024	Dec. 31, 2023
STOCKHOLDERS' EQUITY AND LIABILITIES		
COMMON STOCKHOLDERS' EQUITY:		
Common stock, no par value, authorized 46,500,000 shares, issued and outstanding 14,343,500 shares in 2024 and 14,332,245 shares in 2023	$ 136,622	$ 136,174
Retained earnings	86,309	85,004
Total common stockholders' equity	222,931	221,178
PREFERRED STOCK, authorized 500,000 shares, no shares issued	–	–
LONG-TERM DEBT	189,613	180,007
COMMITMENTS	–	–
CURRENT LIABILITIES:		
Accounts payable	11,785	10,873
Dividends payable	2,757	2,754
Accrued compensation and benefits	1,539	1,629
Accrued income taxes	54	–
Accrued interest	1,815	1,741
Deferred regulatory liabilities	662	644
Other accrued expenses	721	502
Total current liabilities	19,333	18,143
DEFERRED CREDITS:		
Customers' advances for construction	19,134	18,853
Deferred income taxes	56,282	55,235
Deferred employee benefits	3,818	3,847
Deferred regulatory liabilities	43,393	42,989
Other deferred credits	458	632
Total deferred credits	123,085	121,556
Contributions in aid of construction	47,325	47,321
Total Stockholders' Equity and Liabilities	$ 602,287	$ 588,205

The accompanying notes are an integral part of these statements.

THE YORK WATER COMPANY

Statements of Income (Unaudited)
(In thousands of dollars, except per share amounts)

	Three Months Ended March 31	
	2024	2023
OPERATING REVENUES:	$ 17,628	$ 15,401
OPERATING EXPENSES:		
Operation and maintenance	4,812	4,112
Administrative and general	3,074	2,666
Depreciation and amortization	3,083	2,814
Taxes other than income taxes	444	391
	11,413	9,983
Operating income	6,215	5,418
OTHER INCOME (EXPENSES):		
Interest on debt	(2,123)	(1,513)
Allowance for funds used during construction	1,134	749
Other pension costs	(230)	(364)
Other income (expenses), net	(67)	(94)
	(1,286)	(1,222)
Income before income taxes	4,929	4,196
Income tax expense	602	543
Net Income	**$ 4,327**	**$ 3,653**
Basic Earnings Per Share	**$ 0.30**	**$ 0.26**
Diluted Earnings Per Share	**$ 0.30**	**$ 0.26**

The accompanying notes are an integral part of these statements.

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THE YORK WATER COMPANY

Statements of Common Stockholders' Equity (Unaudited)
(In thousands of dollars, except per share amounts)
For the Periods Ended March 31, 2024 and 2023

	Common Stock Shares	Common Stock Amount	Retained Earnings	Total
Balance, December 31, 2023	14,332,245	$ 136,174	$ 85,004	$ 221,178
Net income	–	–	4,327	4,327
Cash dividends declared, $ 0.2108 per share	–	–	(3,022)	(3,022)
Issuance of common stock under dividend reinvestment, direct stock and employee stock purchase plans	11,768	405	–	405
Stock-based compensation	(513)	43	–	43
Balance, March 31, 2024	14,343,500	$ 136,622	$ 86,309	$ 222,931

	Common Stock Shares	Common Stock Amount	Retained Earnings	Total
Balance, December 31, 2022	14,285,584	$ 134,220	$ 72,963	$ 207,183
Net income	–	–	3,653	3,653
Cash dividends declared, $ 0.2027 per share	–	–	(2,897)	(2,897)
Issuance of common stock under dividend reinvestment, direct stock and employee stock purchase plans	9,314	405	–	405
Stock-based compensation	–	54	–	54
Balance, March 31, 2023	14,294,898	$ 134,679	$ 73,719	$ 208,398

The accompanying notes are an integral part of these statements.

THE YORK WATER COMPANY

Statements of Cash Flows (Unaudited)
(In thousands of dollars, except per share amounts)

	Three Months Ended March 31 2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 4,327	$ 3,653
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,083	2,814
Stock-based compensation	43	54
Increase in deferred income taxes	202	543
Other	(329)	(182)
Changes in assets and liabilities:		
Decrease in accounts receivable and unbilled revenues	535	994
Decrease in recoverable income taxes	332	2
Increase in materials and supplies, prepaid expenses, prepaid pension cost, regulatory and other assets	(3,710)	(3,185)
Increase in accounts payable, accrued compensation and benefits, accrued expenses, deferred employee benefits, regulatory liabilities, and other deferred credits	1,527	1,359
Increase in accrued interest and taxes	128	172
Net cash provided by operating activities	6,138	6,224
CASH FLOWS FROM INVESTING ACTIVITIES:		
Utility plant additions, including debt portion of allowance for funds used during construction of $ 634 in 2024 and $ 418 in 2023	(8,457)	(10,581)
Acquisitions of water and wastewater systems	(45)	–
Net cash used in investing activities	(8,502)	(10,581)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Customers' advances for construction and contributions in aid of construction	285	134
Repayments of customer advances	–	(39)
Proceeds of long-term debt issues	49,919	49,484
Debt issuance costs	(167)	(171)
Repayments of long-term debt	(40,192)	(39,224)
Changes in cash overdraft position	(1,547)	(3,175)
Issuance of common stock	405	405
Dividends paid	(3,019)	(2,892)
Net cash provided by financing activities	5,684	4,522
Net change in cash and cash equivalents	3,320	165
Cash and cash equivalents at beginning of period	1	1
Cash and cash equivalents at end of period	$ 3,321	$ 166
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest, net of amounts capitalized	$ 1,491	$ 969

Supplemental disclosure of non-cash investing and financing activities:
Accounts payable includes $ 8,172 in 2024 and $ 7,764 in 2023 for the construction of utility plant.

The accompanying notes are an integral part of these statements.

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Notes to Interim Financial Statements
(In thousands of dollars, except per share amounts)

1. Basis of Presentation

The interim financial statements are unaudited but, in the opinion of management, reflect all adjustments, consisting of only normal recurring accruals, necessary for a fair presentation of results for such periods. Because the financial statements cover an interim period, they do not include all disclosures and notes normally provided in annual financial statements, and therefore, should be read in conjunction with the financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

Operating results for the three months ended March 31, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024.

2. Acquisitions

On January 31, 2024, the Company completed the acquisition of the wastewater collection and treatment assets of MESCO, Inc. in Monaghan Township, York County, Pennsylvania. The Company began operating the existing wastewater collection and treatment assets on February 1, 2024. The acquisition resulted in the addition of approximately 180 wastewater customers with purchase price and acquisition costs of approximately $ 37 . This acquisition is immaterial to Company results.

On February 21, 2024, the Company completed the acquisition of the water assets of Longstown Mobile Estates in Windsor Township, York County, Pennsylvania. The Company began operating the existing water system through an interconnection with its current distribution system on February 26, 2024. The acquisition resulted in the addition of approximately 90 water customers with purchase price and acquisition costs of approximately $ 8 . These customers were previously served by the Company through a single customer connection to the mobile home park. This acquisition is immaterial to Company results.

3. Accounts Receivable and Contract Assets

Accounts receivable and contract assets are summarized in the following table:

	As of Mar. 31, 2024	As of Dec. 31, 2023	Change
Accounts receivable – customers	$ 7,602	$ 8,250	$ (648)
Other receivables	539	592	(53)
	8,141	8,842	(701)
Less: allowance for doubtful accounts	(1,055)	(1,005)	(50)
Accounts receivable, net	$ 7,086	$ 7,837	$ (751)
Unbilled revenue	$ 3,575	$ 3,484	$ 91

Differences in timing of revenue recognition, billings, and cash collections result in receivables, which are contract assets. Generally, billing occurs subsequent to revenue recognition, resulting in unbilled revenue on the balance sheet, which is also a contract asset. The Company does not receive advances or deposits from customers before revenue is recognized so no contract liabilities are reported. Accounts receivable are recorded when the right to consideration becomes unconditional and are presented separately on the balance sheet. The changes in accounts receivable – customers and in unbilled revenue were primarily due to the normal timing difference between performance and the customer's payments.

4. Common Stock and Earnings Per Share

Net income of $ 4,327 and $ 3,653 for the three months ended March 31, 2024 and 2023, respectively, is used to calculate both basic and diluted earnings per share. Basic earnings per share is based on the weighted average number of common shares outstanding. Diluted earnings per share is based on the weighted average number of common shares outstanding plus potentially dilutive shares. The dilutive effect of employee stock-based compensation is included in the computation of diluted earnings per share and is calculated using the treasury stock method and expected proceeds upon exercise or issuance of the stock-based compensation.

The following table summarizes the shares used in computing basic and diluted earnings per share:

	Three Months Ended March 31	
	2024	**2023**
Weighted average common shares, basic	14,324,879	14,275,866
Effect of dilutive securities:		
Employee stock-based compensation	2,827	3,837
Weighted average common shares, diluted	14,327,706	14,279,703

On March 11, 2013, the Board of Directors, or the Board, authorized a share repurchase program granting the Company authority to repurchase up to 1,200,000 shares of the Company's common stock from time to time. The stock repurchase program has no specific end date and the Company may repurchase shares in the open market or through privately negotiated transactions. The Company may suspend or discontinue the repurchase program at any time. No shares were repurchased during the three months ended March 31, 2024 and 2023. As of March 31, 2024, 618,004 shares remain authorized for repurchase.

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5. Debt

	As of Mar. 31, 2024	As of Dec. 31, 2023
Variable Rate Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue Refunding Bonds, Series 2008A, due 2029	$ 12,000	$ 12,000
3.00 % Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue Refunding Bonds, Series A of 2019, due 2036	10,500	10,500
3.10 % Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue Refunding Bonds, Series B of 2019, due 2038	14,870	14,870
3.23 % Senior Notes, due 2040	15,000	15,000
4.00 % - 4.50 % York County Industrial Development Authority Exempt Facilities Revenue Bonds, Series 2015, due 2029 – 2045	10,000	10,000
4.54 % Senior Notes, due 2049	20,000	20,000
3.24 % Senior Notes, due 2050	30,000	30,000
5.50 % Senior Notes, due 2053	40,000	40,000
5.67 % Senior Notes, due 2054	40,000	–
Committed Line of Credit, due September 2025	–	30,273
Total long-term debt	192,370	182,643
Less discount on issuance of long-term debt	(144)	(147)
Less unamortized debt issuance costs	(2,613)	(2,489)
Long-term portion	$ 189,613	$ 180,007

On February 27, 2024, the Company entered into a note purchase agreement with certain institutional investors relating to the private placement of $ 40,000 aggregate principal amount of the Company's senior notes. The senior notes bear interest at 5.67 % per annum payable semiannually and mature on February 27, 2054. The senior notes are unsecured and unsubordinated obligations of the Company. The Company received net proceeds, after deducting issuance costs, of approximately $ 39,833 . The net proceeds were used to refinance line of credit borrowings incurred by the Company as interim financing for various capital projects of the Company.

6. Interest Rate Swap Agreement

The Company is exposed to certain risks relating to its ongoing business operations. The primary risk managed by using derivative instruments is interest rate risk. The Company utilizes an interest rate swap agreement to effectively convert the Company's $ 12,000 variable-rate debt issue to a fixed rate. Interest rate swaps are contracts in which a series of interest rate cash flows are exchanged over a prescribed period. The notional amount on which the interest payments are based ($ 12,000) is not exchanged. The interest rate swap provides that the Company pays the counterparty a fixed interest rate of 3.16 % on the notional amount of $ 12,000 . In exchange, the counterparty paid the Company a variable interest rate based on 59 % of the U.S. Dollar one-month LIBOR rate on the notional amount. The variable interest rate changed to 59 % of the daily simple Secured Overnight Financing Rate, or SOFR, plus a spread adjustment of 11.448 basis points upon the discontinuance of LIBOR in 2023. The intent is for the variable rate received from the swap counterparty to approximate the variable rate the Company pays to bondholders on its variable rate debt issue, resulting in a fixed rate being paid to the swap counterparty and reducing the Company's interest rate risk. The Company's net payment rate on the swap was (0.04)% and 0.44 % for the three months ended March 31, 2024 and 2023, respectively.

The interest rate swap agreement is classified as a financial derivative used for non-trading activities. The accounting standards regarding accounting for derivatives and hedging activities require companies to recognize all derivative instruments as either assets or liabilities at fair value on the balance sheet. In accordance with the standards, the interest rate swap is recorded on the balance sheet in other deferred credits at fair value (see Note 7).

The Company uses regulatory accounting treatment rather than hedge accounting to defer the unrealized gains and losses on its interest rate swap. These unrealized gains and losses are recorded as a regulatory asset or regulatory liability. Based on current ratemaking treatment, the Company expects the unrealized gains and losses to be recognized in rates as a component of interest expense as the swap settlements occur. Swap settlements are recorded in the income statement with the hedged item as interest expense. Swap settlements resulted in the reclassification from regulatory assets to interest expense of $(1) and $ 14 for the three months ended March 31, 2024 and 2023, respectively. The overall swap result was a (gain) loss of $(175) and $ 127 for the three months ended March 31, 2024 and 2023, respectively. The Company expects to reclassify $ 22 before tax from regulatory assets to interest expense as a result of swap settlements over the next 12 months.

The interest rate swap agreement contains provisions that require the Company to maintain a credit rating of at least BBB- with Standard & Poor's. If the Company's rating were to fall below this rating, it would be in violation of these provisions, and the counterparty to the derivative could request immediate payment if the derivative was in a liability position. On July 26, 2023, Standard & Poor's affirmed the Company's credit rating at A-, with a stable outlook and adequate liquidity. The Company's interest rate swap was in a liability position as of March 31, 2024. If a violation due to credit rating, or some other default provision, were triggered on March 31, 2024, the Company would have been required to pay the counterparty approximately $ 476 .

The interest rate swap will expire on October 1, 2029. Other than the interest rate swap, the Company has no other derivative instruments.

7. Fair Value of Financial Instruments

The accounting standards regarding fair value measurements establish a fair value hierarchy which indicates the extent to which inputs used in measuring fair value are observable in the market. Level 1 inputs include quoted prices for identical instruments and are the most observable. Level 2 inputs include quoted prices for similar assets and observable inputs such as interest rates, commodity rates and yield curves. Level 3 inputs are not observable in the market and include management's own judgments about the assumptions market participants would use in pricing the asset or liability.

The Company has recorded its interest rate swap liability at fair value in accordance with the standards. The liability is recorded under the caption "Other deferred credits" on the balance sheet. The table below illustrates the fair value of the interest rate swap as of the end of the reporting period.

Description	March 31, 2024	Fair Value Measurements at Reporting Date Using Significant Other Observable Inputs (Level 2)
Interest Rate Swap	$ 458	$ 458

Fair values are measured as the present value of all expected future cash flows based on the swap yield curve as of the date of the valuation. These inputs to this calculation are deemed to be Level 2 inputs. The balance sheet carrying value reflects the Company's credit quality as of March 31, 2024. The rate used in discounting all prospective cash flows anticipated to be made under this swap reflects a representation of the yield to maturity for 30-year debt on utilities rated A- as of March 31, 2024. The use of the Company's credit rating resulted in a reduction in the fair value of the swap liability of $ 18 as of March 31, 2024. The fair value of the swap reflecting the Company's credit quality as of December 31, 2023 is shown in the table below.

Description	December 31, 2023	Fair Value Measurements at Reporting Date Using Significant Other Observable Inputs (Level 2)
Interest Rate Swap	$ 632	$ 632

The carrying amount of current assets and liabilities that are considered financial instruments approximates fair value as of the dates presented. The Company's total long-term debt, with a carrying value of $ 192,370 at March 31, 2024, and $ 182,643 at December 31, 2023, had an estimated fair value of approximately $ 179,000 and $ 175,000 , respectively. The estimated fair value of debt was calculated using a discounted cash flow technique that incorporates a market interest yield curve with adjustments for duration and risk profile. These inputs to this calculation are deemed to be Level 2 inputs. The Company recognized its credit rating in determining the yield curve and did not factor in third-party credit enhancements including the letter of credit on the 2008 Pennsylvania Economic Development Financing Authority Series A issue.

Customers' advances for construction and note receivable had carrying values at March 31, 2024 of $ 19,134 and $ 255 , respectively. At December 31, 2023, customers' advances for construction and note receivable had carrying values of $ 18,853 and $ 255 , respectively. The relative fair values of these amounts cannot be accurately estimated since the timing of future payment streams is dependent upon several factors, including new customer connections, customer consumption levels and future rate increases.

8. Commitments

The Company committed to capital expenditures of approximately $ 40,073 to armor and replace the spillway of the Lake Williams dam, of which $ 1,777 remains to be incurred as of March 31, 2024. The Company may make additional commitments for this project in the future.

The Company was granted approval by the PPUC to modify its tariff to include the cost of the annual replacement of up to 400 lead customer-owned service lines over nine years from the date of the agreement. The tariff modification allows the Company to replace customer-owned service lines at its own initial cost. The Company will record the costs as a regulatory asset to be recovered in future base rates to customers, over a four-year period. The cost for the customer-owned lead service line replacements was approximately $ 1,819 and $ 1,762 through March 31, 2024 and December 31, 2023, respectively, and is included as a regulatory asset. Based on its experience, the Company estimates that lead customer-owned service lines replacements will cost $ 1,900 . This estimate is subject to adjustment as more facts become available.

9. Revenue

The following table shows the Company's revenues disaggregated by service and customer type.

	Three Months Ended March 31 2024	Three Months Ended March 31 2023
Water utility service:		
Residential	$ 9,844	$ 8,888
Commercial and industrial	4,656	4,004
Fire protection	1,081	932
Wastewater utility service:		
Residential	1,474	1,084
Commercial and industrial	316	221
Billing and revenue collection services	130	126
Collection services	6	7
Other revenue	7	11
Total Revenue from Contracts with Customers	17,514	15,273
Rents from regulated property	114	128
Total Operating Revenue	$ 17,628	$ 15,401

Utility Service

The Company provides utility service as a distinct and single performance obligation to each of its water and wastewater customers. The transaction price is detailed in the tariff pursuant to an order by the PPUC and made publicly available. There is no variable consideration and no free service, special rates, or subnormal charges to any customer. Due to the fact that the contract includes a single performance obligation, no judgment is required to allocate the transaction price. The performance obligation is satisfied over time through the continuous provision of utility service through a stand-ready obligation to perform and the transfer of water or the collection of wastewater through a series of distinct transactions that are identical in nature and have the same pattern of transfer to the customer. The Company uses an output method to recognize the utility service revenue over time. The stand-ready obligation is recognized through the passage of time in the form of a fixed charge and the transfer of water or the collection of wastewater is recognized at a per unit rate based on the actual or estimated flow through the meter. Each customer is invoiced every month and the invoice is due within twenty days . The utility service has no returns or warranties associated with it. No revenue is recognized from performance obligations satisfied in prior periods and no performance obligations remain unsatisfied as of the end of the reporting period. A contract asset for unbilled revenue is recognized for the passage of time and the actual or estimated usage from the latest meter reading to the end of the accounting period. The methodology is standardized and consistently applied to reduce bias and the need for judgment.

Billing and Revenue Collection Service
The Company provides billing and revenue collection service as distinct performance obligations to three municipalities within the service territory of the Company. The municipalities provide service to their residents and the Company acts as the billing and revenue collection agent for the municipalities. The transaction price is a fixed amount per bill prepared as established in the contract. There is no variable consideration. Due to the fact that both the billing performance obligation and the revenue collection performance obligation are materially complete by the end of the reporting period, the Company does not allocate the transaction price between the two performance obligations. The performance obligations are satisfied at a point in time when the bills are sent as the municipalities receive all the benefits and bear all of the risk of non-collection at that time. Each municipality is invoiced when the bills are complete and the invoice is due within thirty days . The billing and revenue collection service has no returns or warranties associated with it. No revenue is recognized from performance obligations satisfied in prior periods and no performance obligations remain unsatisfied as of the end of the reporting period.

Collection Service
The Company provides collection service as a distinct and single performance obligation to several municipalities within the service territory of the Company. The municipalities provide wastewater service to their residents. If those residents are delinquent in paying for their wastewater service, the municipalities request that the Company post for and shut off the supply of water to the premises of those residents. When the resident is no longer delinquent, the Company will restore water service to the premises. The transaction price for each posting, each shut off, and each restoration is a fixed amount as established in the contract. There is no variable consideration. Due to the fact that the contract includes a single performance obligation, no judgment is required to allocate the transaction price. The performance obligation is satisfied at a point in time when the posting, shut off, or restoration is completed as the municipalities receive all the benefits in the form of payment or no longer providing wastewater service. Each municipality is invoiced periodically for the posting, shut offs, and restorations that have been completed since the last billing and the invoice is due within thirty days . The collection service has no returns or warranties associated with it. No revenue is recognized from performance obligations satisfied in prior periods and no performance obligations remain unsatisfied as of the end of the reporting period. A contract asset for unbilled revenue is recognized for postings, shut offs, and restorations that have been completed from the last billing to the end of the accounting period.

Service Line Protection Plan
The Company provides service line protection as a distinct and single performance obligation to current water customers that choose to participate. The transaction price is detailed in the plan’s terms and conditions and made publicly available. There is no variable consideration. Due to the fact that the contract includes a single performance obligation, no judgment is required to allocate the transaction price. The performance obligation is satisfied over time through the continuous provision of service line protection through a stand-ready obligation to perform. The Company uses an output method to recognize the service line protection revenue over time. The stand-ready obligation is recognized through the passage of time. A customer has a choice to prepay for an entire year or to pay in advance each month. The service line protection plan has no returns or extended warranties associated with it. No revenue is recognized from performance obligations satisfied in prior periods and no material performance obligations remain unsatisfied as of the end of the reporting period.

10. Rate Matters

From time to time, the Company files applications for rate increases with the PPUC and is granted rate relief as a result of such requests. The most recent rate request was filed by the Company on May 27, 2022 and sought an annual increase in water rates of $ 18,854 and an annual increase in wastewater rates of $ 1,457 . Effective March 1, 2023, the PPUC authorized an increase in water rates designed to produce approximately $ 11,600 in additional annual revenues and an increase in wastewater rates designed to produce approximately $ 1,900 in additional annual revenues.

The PPUC permits water utilities to collect a distribution system improvement charge, or DSIC. The DSIC allows the Company to add a charge to customers' bills for qualified replacement costs of certain infrastructure without submitting a rate filing. This surcharge mechanism typically adjusts periodically based on additional qualified capital expenditures completed or anticipated in a future period. The DSIC is capped at 5 % of base rates and is reset to zero when new base rates that reflect the costs of those additions become effective or when a utility's earnings exceed a regulatory benchmark. The DSIC reset to zero when the new base rates took effect March 1, 2023. The DSIC provided revenues of $ 0 and $ 271 for the three months ended March 31, 2024 and 2023, respectively.

11. Pensions

Components of Net Periodic Pension Cost

	Three Months Ended March 31	
	2024	2023
Service cost	$ 159	$ 149
Interest cost	463	469
Expected return on plan assets	(791)	(903)
Amortization of prior service cost	(3)	(3)
Rate-regulated adjustment	561	801
Net periodic pension expense	$ 389	$ 513

Pension service cost is recorded in operating expenses. All other components of net periodic pension cost are recorded as other pension costs in other income (expenses).

Employer Contributions

The Company previously disclosed in its financial statements for the year ended December 31, 2023 that it expected to contribute $ 1,556 to its pension plans in 2024. For the three months ended March 31, 2024, contributions of $ 389 have been made. The Company expects to contribute the remaining $ 1,167 during the final three quarters of 2024.

12. Stock-Based Compensation

On May 2, 2016, the Company's stockholders approved The York Water Company Long-Term Incentive Plan, or LTIP. The LTIP was adopted to provide the incentive of long-term stock-based awards to officers, directors, and key employees. The LTIP provides for the granting of nonqualified stock options, incentive stock options, stock appreciation rights, performance restricted stock grants and units, restricted stock grants and units, and unrestricted stock grants. A maximum of 100,000 shares of common stock may be issued under the LTIP over the ten-year life of the plan. The maximum number of shares of common stock subject to awards that may be granted to any participant in any one calendar year is 2,000 . Shares of common stock issued under the LTIP may be treasury shares or authorized but unissued shares. The LTIP will be administered by the Compensation Committee of the Board, or the full Board, provided that the full Board will administer the LTIP as it relates to awards to non-employee directors of the Company. The Company filed a registration statement with the Securities and Exchange Commission on May 11, 2016 covering the offering of stock under the LTIP. The LTIP was effective on July 1, 2016.

On May 1, 2023, the Board accelerated the vesting period for restricted stock granted in 2021, 2022, and 2023 to one retiring key employee from three years to that key employee's 2024 retirement date, which has been fully recognized as of March 31, 2024.

On January 29, 2024, the Board accelerated the vesting period for restricted stock granted in 2022 and 2023 to one retiring officer from three years to that officer's 2024 retirement date.

The restricted stock awards provide the grantee with the rights of a shareholder, including the right to receive dividends and to vote such shares, but not the right to sell or otherwise transfer the shares during the restriction period. As a result, the awards are included in common shares outstanding on the balance sheet. Restricted stock awards result in compensation expense valued at the fair market value of the stock on the date of the grant and are amortized ratably over the requisite service period.

The following tables summarize the stock grant amounts and activity for the three months ended March 31, 2024.

	Number of Shares	Grant Date Weighted Average Fair Value
Nonvested at beginning of the period	8,944	$ 42.32
Granted	—	$ –
Vested	(261)	$ 42.22
Forfeited	(513)	$ 42.21
Nonvested at end of the period	8,170	$ 42.34

No long-term stock-based awards were granted under the LTIP during the three months ended March 31, 2024. For the three months ended March 31, 2024 and 2023, the statement of income includes stock-based compensation, net, of $ 43 and $ 54 , respectively, and related recognized tax benefits of $ 12 and $ 15 , respectively. The total fair value of the shares vested in the three months ended March 31, 2024 and 2023 was $ 11 and $ 0 , respectively. Total stock-based compensation related to nonvested awards not yet recognized is $ 346 at March 31, 2024, which will be recognized over the remaining three year vesting period.

13. Income Taxes

Under the Internal Revenue Service tangible property regulations, or TPR, the Company is permitted to deduct the costs of certain asset improvements that were previously being capitalized and depreciated for tax purposes as an expense on its income tax return. This ongoing deduction results in a reduction in the effective income tax rate, a net reduction in income tax expense, and a reduction in the amount of income taxes currently payable. It also results in increases to deferred tax liabilities and regulatory assets representing the appropriate book and tax basis difference on capital additions.

The Company's effective tax rate was 12.2 % and 12.9 % for the three months ended March 31, 2024 and 2023, respectively. The effective tax rate will vary depending on income before income taxes and the level of eligible asset improvements expensed for tax purposes under TPR each period.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. (In thousands of dollars, except per share amounts)

Forward-looking Statements

Certain statements contained in this report on Form 10-Q constitute "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. Words such as "may," "should," "believe," "anticipate," "estimate," "expect," "intend," "plan," "objective" and similar expressions are intended to identify forward-looking statements. These forward-looking statements include certain information relating to the Company's business strategy and future prospects; including, but not limited to:

- the amount and timing of rate changes and other regulatory matters including the recovery of costs recorded as regulatory assets;
- expected profitability and results of operations;
- trends;
- goals, priorities and plans for, and cost of, growth and expansion;
- strategic initiatives;
- availability of water supply;
- water usage by customers; and
- the ability to pay dividends on common stock and the rate of those dividends.

The forward-looking statements in this report reflect what the Company currently anticipates will happen. What actually happens could differ materially from what it currently anticipates will happen and caution should be exercised against placing undue reliance upon such statements, which are based only on information currently available to the Company and speak only as of the date hereof. The Company does not intend to make a public announcement when forward-looking statements in this report are no longer accurate, whether as a result of new information, what actually happens in the future or for any other reason. Important matters that may affect what will actually happen include, but are not limited to:

- changes in weather or climate, including drought conditions or extended periods of heavy precipitation;
- natural disasters, including pandemics such as the outbreak of the novel strain of coronavirus known as "COVID-19" and its variants and the effectiveness of the Company's pandemic plans;
- levels of rate relief granted;
- the level of commercial and industrial business activity within the Company's service territory;
- construction of new housing within the Company's service territory and increases in population;
- changes in government policies or regulations, including the tax code;
- the ability to obtain permits for expansion projects;
- material changes in demand from customers, including the impact of conservation efforts which may impact the demand of customers for water;
- changes in economic and business conditions, including interest rates;
- loss of customers;
- changes in, or unanticipated, capital requirements;
- the impact of acquisitions;
- changes in accounting pronouncements;
- changes in the Company's credit rating or the market price of its common stock; and
- the ability to obtain financing.

General Information

The primary business of the Company is to impound, purify to meet or exceed safe drinking water standards and distribute water. The Company also owns and operates three wastewater collection systems and ten wastewater collection and treatment systems. The Company operates within its franchised water and wastewater territory, which covers portions of 56 municipalities within four counties in south-central Pennsylvania. The Company is regulated by the Pennsylvania Public Utility Commission, or PPUC, for both water and wastewater in the areas of billing, payment procedures, dispute processing, terminations, service territory, debt and equity financing and rate setting. The Company must obtain PPUC approval before changing any practices associated with the aforementioned areas.

Water service is supplied through the Company's own distribution system. The Company obtains the bulk of its water supply for its primary system for York and Adams Counties from both the South Branch and East Branch of the Codorus Creek, which together have an average daily flow of approximately 73.0 million gallons from a combined watershed area of approximately 117 square miles. The Company has two reservoirs on this primary system, Lake Williams and Lake Redman, which together hold up to approximately 2.5 billion gallons of water. The Company supplements these reservoirs with a 15-mile pipeline from the Susquehanna River to Lake Redman which provides access to an additional supply of 12.0 million gallons of untreated water per day. The Company obtains its water supply for its system for Franklin County from the Roxbury Dam on the Conodoguinet Creek, which has an average daily flow of approximately 26.0 million gallons from a watershed area of approximately 33 square miles. The Company has a reservoir on this system which holds up to approximately 330 million gallons of water. The Company also owns thirteen wells which are capable of providing a safe yield of approximately 808,000 gallons per day to supply water to the customers of its groundwater satellite systems in York, Adams, and Lancaster Counties. As of March 31, 2024, the Company's average daily availability was 41.0 million gallons, and average daily consumption was approximately 20.7 million gallons. The Company's service territory had an estimated population of 209,000 as of December 31, 2023. Industry within the Company's service territory is diversified, manufacturing such items as fixtures and furniture, electrical machinery, food products, paper, ordnance units, textile products, air conditioning systems, laundry detergent, barbells, and motorcycles.

The Company's water business is somewhat dependent on weather conditions, particularly the amount and timing of precipitation. Revenues are particularly vulnerable to weather conditions in the summer months. Prolonged periods of hot and dry weather generally cause increased water usage for watering lawns, washing cars, and keeping golf courses and sports fields irrigated. Conversely, prolonged periods of dry weather could lead to drought restrictions from governmental authorities. Despite the Company's adequate water supply, customers may be required to cut back water usage under such drought restrictions which would negatively impact revenues. The Company has addressed some of this vulnerability by instituting minimum customer charges which are intended to cover fixed costs of operations under all likely weather conditions.

The Company's business does not require large amounts of working capital and is not dependent on any single customer or a very few customers for a material portion of its business. Increases in revenues are generally dependent on the Company's ability to obtain rate increases from the PPUC in a timely manner and in adequate amounts and to increase volumes of water sold through increased consumption and increases in the number of customers served. The Company continuously looks for water and wastewater acquisition and expansion opportunities both within and outside its current service territory as well as additional opportunities to enter into bulk water contracts with municipalities and other entities to supply water.

The Company has agreements with several municipalities to provide billing and collection services. The Company also has a service line protection program on a targeted basis in order to further diversify its business. Under this optional program, customers pay a fixed monthly fee, and the Company will repair or replace damaged customer service lines, as needed, subject to an annual maximum dollar amount. The Company continues to review and consider opportunities to expand both initiatives.

Results of Operations

Three Months Ended March 31, 2024 Compared
With Three Months Ended March 31, 2023

Net income for the first quarter of 2024 was $4,327, an increase of $674, or 18.5%, from net income of $3,653 for the same period of 2023. The primary contributing factors to the increase were higher operating revenues which were partially offset by higher operating expenses.

Operating revenues for the first quarter of 2024 increased $2,227, or 14.5%, from $15,401 for the three months ended March 31, 2023 to $17,628 for the corresponding 2024 period. The primary reason for the increase was a rate increase effective March 1, 2023. Growth in the customer base also added to revenues. The average number of water customers served in 2024 increased as compared to 2023 by 797 customers, from 71,151 to 71,948 customers. The average number of wastewater customers served in 2024 increased as compared to 2023 by 459 customers, from 5,895 to 6,354 customers, primarily due to acquisitions. The increased revenues were partially offset by a $271 decrease from a lower distribution system improvement charge, or DSIC, allowed by the PPUC. The DSIC reset to zero on March 1, 2023 when the rate order took effect. Total per capita consumption for 2024 was approximately 2.2% lower than the same period of last year. For the remainder of the year, the Company expects revenues to show a modest increase due to higher summer demand and an increase in the number of water and wastewater customers from acquisitions and growth within the Company's service territory. Other regulatory actions, weather patterns, and economic conditions could impact results.

Operating expenses for the first quarter of 2024 increased $1,430, or 14.3%, from $9,983 for the first quarter of 2023 to $11,413 for the corresponding 2024 period. The increase was primarily due to higher expenses of approximately $365 for distribution system maintenance, $269 for depreciation and amortization, $205 for wages, $118 for insurance, $75 for wastewater treatment, $65 for outside services, and $50 for purchased power. Other operating expenses increased by a net of $283. For the remainder of the year, the Company expects depreciation and amortization expense to continue to rise due to additional investment in utility plant, and other expenses to increase as costs to treat water and wastewater, and to maintain and extend the distribution system, continue to rise. Weather patterns could further increase operating expenses.

Interest on debt for the first quarter of 2024 increased $610, or 40.3%, from $1,513 for the first quarter of 2023 to $2,123 for the corresponding 2024 period. The increase was primarily due to an increase in long-term debt outstanding and higher interest rates. The average debt outstanding under the line of credit was $20,875 for the first quarter of 2024 and $20,412 for the first quarter of 2023. The weighted average interest rate on the line of credit was 4.08% for the quarter ended March 31, 2024 and 2.96% for the quarter ended March 31, 2023. Interest expense for the remainder of the year is expected to increase due to the increase in long-term debt outstanding.

Allowance for funds used during construction increased $385, from $749 in the first quarter of 2023 to $1,134 in the corresponding 2024 period due to a higher volume of eligible construction. Allowance for funds used during construction for the remainder of the year is expected to decrease based on the completion of the Lake Williams dam project and a projected decrease in the amount of eligible construction.

Other income (expenses), net for the first quarter of 2024 reflects decreased expenses of $27 as compared to the same period of 2023. Higher earnings on life insurance policies of approximately $52 were the primary reasons for the increase. Other expenses increased by a net of $25. For the remainder of the year, other income (expenses) will be largely determined by the change in market returns and discount rates for retirement programs and related assets.

Income tax expense for the first quarter of 2024 increased $59 as compared to the same period of 2023. The Company's effective tax rate was 12.2% for the first quarter of 2024 and 12.9% for the first quarter of 2023. The Company's effective tax rate for the remainder of 2024 will largely be determined by the level of eligible asset improvements expensed for tax purposes under Internal Revenue Service tangible property regulations, or TPR, each period. The Company expects the level to be higher in the remainder of the year than the first quarter, lowering the effective tax rate.

Rate Matters

See Note 10 to the financial statements included herein for a discussion of rate matters.

The Company does not expect to file a rate increase request in 2024.

Acquisitions and Growth

On February 7, 2024, the Company signed an agreement to purchase the wastewater collection assets of Margaretta Mobile Home Park in Lower Windsor Township, York County, Pennsylvania. Completion of the acquisition is contingent upon receiving approval from all required regulatory authorities. Closing is expected in the second half of 2025 at which time the Company will add approximately 65 wastewater customers.

On July 17, 2023, the Company signed an agreement to purchase the wastewater collection and treatment assets of York Haven Sewer Authority in York Haven Borough, York County, Pennsylvania. Completion of the acquisition is contingent upon receiving approval from all required regulatory authorities. Closing is expected in the second half of 2024 at which time the Company will add approximately 230 wastewater customers.

On May 23, 2023, the Company signed an agreement to purchase the Brookhaven Mobile Home Park water assets of ATG Properties, LLC in Hellam Township, York County, Pennsylvania. Completion of the acquisition is contingent upon receiving approval from all required regulatory authorities. Closing is expected in the second half of 2024 at which time the Company will add approximately 150 water customers.

On May 18, 2023, the Company signed an agreement to purchase the water assets of Houston Run Community Water System, LLC in Salisbury Township, Lancaster County, Pennsylvania. Completion of the acquisition is contingent upon receiving approval from all required regulatory authorities. Closing is expected in the second half of 2024 at which time the Company will add approximately 15 water customers.

On March 27, 2023, the Company signed an agreement to purchase the water assets of Pine Run Retirement Community in Hamilton Township, Adams County, Pennsylvania. Completion of the acquisition is contingent upon receiving approval from all required regulatory authorities. Closing is expected in the first half of 2025 at which time the Company will add approximately 100 water customers.

In total, these acquisitions are expected to be immaterial to Company results. The Company is also pursuing other bulk water contracts and acquisitions in and around its service territory to help offset any potential declines in per capita water consumption and to grow its business.

On May 10, 2017, the Company signed an emergency interconnect agreement with Dallastown-Yoe Water Authority. The effectiveness of this agreement is contingent upon receiving approval from all required regulatory authorities. Approval is expected to be granted in 2024 at which time the Company will begin construction of a water main extension to a single point of interconnection and either supply a minimum agreed upon amount of water to the authority, receive a payment in lieu of water, or provide water during an emergency, at current tariff rates.

Capital Expenditures

For the three months ended March 31, 2024, the Company invested $8,457 in construction expenditures for armoring and replacing the spillway of the Lake Williams dam, wastewater treatment plant construction, as well as various replacements and improvements to infrastructure and routine items. The Company was able to fund construction expenditures using internally-generated funds, line of credit borrowings, proceeds from its stock purchase plans and customer advances and contributions from developers, municipalities, customers, or builders.

The Company anticipates construction expenditures for the remainder of 2024 of approximately $33,700 exclusive of any potential acquisitions not yet approved. In addition to routine transmission and distribution projects, a portion of the anticipated expenditures will be for completion of armoring and replacing the spillway of the Lake Williams dam, additional main extensions, wastewater treatment plant construction, as well as various replacements and improvements to infrastructure and routine items. The Company intends to use primarily internally-generated funds for its anticipated construction and fund the remainder through line of credit borrowings, proceeds from its stock purchase plans and customer advances and contributions. Customer advances and contributions are expected to account for between 5% and 10% of funding requirements during the remainder of 2024. The Company believes it will have adequate credit facilities and access to the capital markets, if necessary, during 2024, to fund anticipated construction and acquisition expenditures.

Liquidity and Capital Resources

Cash

The Company manages its cash through a cash management account that is directly connected to its line of credit. Excess cash generated automatically pays down outstanding borrowings under the line of credit arrangement. If there are no outstanding borrowings, the cash is used as an earnings credit to reduce banking fees. Likewise, if additional funds are needed beyond what is generated internally for payroll, to pay suppliers, to fund capital expenditures, or to pay debt service, funds are automatically borrowed under the line of credit. As of March 31, 2024, the Company had no borrowings on its line of credit and had a cash balance of $3,321. Upon completion of the debt offering in February 2024, the Company repaid its line of credit and generated a cash balance with the remaining portion of the proceeds. The Company expects the cash balance to be fully utilized in 2024, after which the cash management facility connected to the line of credit is expected to provide the necessary liquidity and funding for the Company’s operations, capital expenditures, and acquisitions for the foreseeable future.

Accounts Receivable

The accounts receivable balance tends to follow the change in revenues but is also affected by the timeliness of payments by customers and the level of the reserve for doubtful accounts. In the three months ended March 31, 2024, lower revenue levels as compared to the three months ended December 31, 2023, resulted in a decrease in accounts receivable – customers. A reserve is maintained at a level considered adequate to provide for expected credit losses. Expected credit losses are based on historical write-offs combined with an evaluation of current conditions and reasonable and supportable forecasts including inactive accounts with outstanding balances, the aging of balances in payment agreements, adverse situations that may affect a customer’s ability to pay, economic conditions, and other relevant factors applied to the current aging of receivables. Customer accounts are written off when collection efforts have been exhausted. If the status of the evaluated factors deteriorate, the Company may incur additional expenses for uncollectible accounts and experience a reduction in its internally-generated funds.

Internally-generated Funds

The amount of internally-generated funds available for operations and construction depends on the Company’s ability to obtain timely and adequate rate relief, changes in regulations including taxes, customers’ water usage, weather conditions, customer growth and controlled expenses. During the first three months of 2024, the Company generated $6,138 internally from operations which is comparable to the $6,224 it generated during the first three months of 2023.

Common Stock

Common stockholders’ equity as a percent of the total capitalization was 53.7% as of March 31, 2024, compared with 54.8% as of December 31, 2023. The Company expects to use long-term debt for its future financing needs and allow the debt percentage to trend upward until it approaches fifty percent before considering additional equity. It is the Company’s general intent to target equity between fifty and fifty-five percent of total capitalization.

The Company has the ability to issue approximately $4,000 of additional shares of its common stock or debt securities remaining under an effective “shelf” Registration Statement on Form S-3 on file with the Securities and Exchange Commission subject to market conditions at the time of any such offering.

Credit Line
Historically, the Company has borrowed under its line of credit before refinancing with long-term debt or equity capital. As of March 31, 2024, the Company maintained an unsecured line of credit in the amount of $50,000 at an interest rate of the Secured Overnight Financing Rate, or SOFR, plus 1.17% with an unused commitment fee and an interest rate floor. The Company had no outstanding borrowings under its line of credit as of March 31, 2024. Upon completion of the debt offering in February 2024, the Company repaid its line of credit. The Company expects to extend the maturity for this line of credit into 2026 under similar terms and conditions.

The Company has taken steps to manage the risk of reduced credit availability. It has established a committed line of credit with a 2-year revolving maturity that cannot be called on demand. There is no guarantee that the Company will be able to obtain sufficient lines of credit with favorable terms in the future. If the Company is unable to obtain sufficient lines of credit or to refinance its line of credit borrowings with long-term debt or equity when necessary, it may have to eliminate or postpone capital expenditures. Management believes the Company will have adequate capacity under its current line of credit to meet anticipated financing needs throughout 2024.

Long-term Debt
The Company's loan agreements contain various covenants and restrictions. Management believes it is currently in compliance with all of these restrictions. See Note 6 to the financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 for additional information regarding these restrictions.

On February 27, 2024, the Company entered into a note purchase agreement with certain institutional investors relating to the private placement of $40,000 aggregate principal amount of the Company's senior notes. The senior notes bear interest at 5.67% per annum payable semiannually and mature on February 27, 2054. The senior notes are unsecured and unsubordinated obligations of the Company. The Company received net proceeds, after deducting issuance costs, of approximately $39,833. The net proceeds were used to refinance line of credit borrowings incurred by the Company as interim financing for various capital projects of the Company.

The Company's total long-term debt as a percentage of the total capitalization, defined as total common stockholders' equity plus total long-term debt, was 46.3% as of March 31, 2024, compared with 45.2% as of December 31, 2023. The Company expects to use long-term debt for its future financing needs and allow the debt percentage to trend upward. A debt to total capitalization ratio between forty-five and fifty percent has historically been acceptable to the PPUC in rate filings.

Income Taxes, Deferred Income Taxes and Uncertain Tax Positions
Under the Internal Revenue Service TPR, the Company is permitted to deduct the costs of certain asset improvements that were previously being capitalized and depreciated for tax purposes as an expense on its income tax return. This ongoing deduction results in a reduction in the effective income tax rate, a net reduction in income tax expense, and a reduction in the amount of income taxes currently payable. It also results in increases to deferred tax liabilities and regulatory assets representing the appropriate book and tax basis difference on capital additions. The Company expects to continue to expense these asset improvements in the future.

The Company's effective tax rate will largely be determined by income before income taxes and the level of eligible asset improvements expensed for tax purposes that would have been capitalized for tax purposes prior to the implementation of TPR.

The Company has a substantial deferred income tax asset primarily due to the excess accumulated deferred income taxes on accelerated depreciation from the Tax Cuts and Jobs Act of 2017 and the differences between the book and tax balances of the customers' advances for construction and contributions in aid of construction and deferred compensation plans. The Company does not believe a valuation allowance is required due to the expected generation of future taxable income during the periods in which those temporary differences become deductible.

The Company has seen an increase in its deferred income tax liability amounts primarily as a result of the accelerated depreciation deduction available for federal tax purposes which creates differences between book and tax depreciation expense. The Company expects this trend to continue as it makes significant investments in capital expenditures subject to accelerated depreciation or TPR.

The Company has determined there are no uncertain tax positions that require recognition as of March 31, 2024.

Credit Rating

On July 26, 2023, Standard & Poor's affirmed the Company's credit rating at A-, with a stable outlook and adequate liquidity. The Company's ability to maintain its credit rating depends, among other things, on adequate and timely rate relief, which it has been successful in obtaining, its ability to fund capital expenditures in a balanced manner using both debt and equity and its ability to generate cash flow. The Company's objectives are to continue to maximize its funds provided by operations and maintain a strong capital structure in order to be able to attract capital.

Physical and Cyber Security

The Company maintains security measures at its facilities, and collaborates with federal, state, and local authorities and industry trade associations regarding information on possible threats and security measures for water and wastewater utility operations. The costs incurred are expected to be recoverable in water and wastewater rates and are not expected to have a material impact on its business, financial condition, or results of operations.

The Company relies on information technology systems in connection with the operation of the business, especially with respect to customer service, billing, accounting, and in some cases, the monitoring and operation of treatment, storage, and pumping facilities. In addition, the Company relies on these systems to track utility assets and to manage maintenance and construction projects, materials and supplies, and human resource functions. The information technology systems may be vulnerable to damage or interruption from cyber security attacks or other cyber-related events, including, but not limited to, power loss, computer systems failures, internet, telecommunications or data network failures, physical and electronic loss of data, computer viruses, intentional security breaches, hacking, denial of service actions, misappropriation of data, and similar events. In some cases, administration of certain functions may be outsourced to third-party service providers that could also be targets of cyber security attacks. A loss of these systems, or major problems with the operation of these systems, could harm the business, financial condition, and results of operations of the Company through the loss or compromise of customer, financial, employee, or operational data, disruption of billing, collections or normal field service activities, disruption of electronic monitoring and control of operational systems, and delays in financial reporting and other normal management functions.

Possible impacts associated with a cyber security attack or other events may include remediation costs related to lost, stolen, or compromised data, repairs to data processing systems, increased cyber security protection costs, adverse effects on the Company's compliance with regulatory and environmental laws and regulation, including standards for drinking water, litigation, and reputational damage.

The Company has implemented processes, procedures, and controls to prevent or limit the effect of these possible events and maintains insurance to help defray costs associated with cyber security attacks. The Company has not experienced a material impact on business or operations from these attacks. Although the Company does not believe its systems are at a materially greater risk of cyber security attacks than other similar organizations and despite the implementation of robust security measures, the Company cannot provide assurance that the insurance will fully cover the costs of a cyber security event, and its robust security measures do not guarantee that reputation and financial results will not be adversely affected by such an incident.

Environmental Matters

The Company was granted approval by the PPUC to modify its tariff to include the cost of the annual replacement of up to 400 lead customer-owned service lines over nine years from the date of the agreement. The tariff modification allows the Company to replace customer-owned service lines at its own initial cost. The Company will record the costs as a regulatory asset to be recovered in future base rates to customers, over a four-year period. The cost for the customer-owned lead service line replacements was approximately $1,819 and $1,762 through March 31, 2024 and December 31, 2023, respectively, and is included as a regulatory asset. Based on its experience, the Company estimates that lead customer-owned service lines replacements will cost $1,900. This estimate is subject to adjustment as more facts become available.

Drought

On March 6, 2024, Pennsylvania state officials returned all counties to normal status. Measures taken during a drought could potentially impact future revenues, operating expenses, and net income depending on the length and severity of the dry conditions.

Critical Accounting Estimates

The methods, estimates, and judgments the Company used in applying its accounting policies have a significant impact on the results reported in its financial statements. The Company's accounting policies require management to make subjective judgments because of the need to make estimates of matters that are inherently uncertain. The Company's most critical accounting estimates include regulatory assets and liabilities, revenue recognition, accounting for its pension plans, and income taxes. There has been no significant change in accounting estimates or the method of estimation during the quarter ended March 31, 2024.

Off-Balance Sheet Arrangements

The Company does not use off-balance sheet transactions, arrangements or obligations that may have a material current or future effect on financial condition, results of operations, liquidity, capital expenditures, capital resources or significant components of revenues or expenses. The Company does not use securitization of receivables or unconsolidated entities. For risk management purposes, the Company uses a derivative financial instrument, an interest rate swap agreement discussed in Note 6 to the financial statements included herein. The Company does not engage in trading or other risk management activities, does not use other derivative financial instruments for any purpose, has no material lease obligations, no guarantees and does not have material transactions involving related parties.

Item 3. **Quantitative and Qualitative Disclosures About Market Risk.**

Not applicable.

Item 4. **Controls and Procedures.**

Evaluation of Disclosure Controls and Procedures

The Company’s management, with the participation of the Company’s President and Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company’s disclosure controls and procedures as of the end of the period covered by this report. Based upon this evaluation, the Company’s President and Chief Executive Officer along with the Chief Financial Officer concluded that the Company’s disclosure controls and procedures as of the end of the period covered by this report are effective such that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934, as amended, is (i) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) accumulated and communicated to the Company’s management, including the President and Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure. A controls system cannot provide absolute assurance, however, that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

No change in the Company’s internal control over financial reporting occurred during the Company’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

Item 5. **Other Information.**

During the three months ended March 31, 2024, no director or officer of the Company, nor the Company itself, adopted or terminated a “Rule 10b5-1 trading arrangement" or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

PART II - OTHER INFORMATION

Item 6. Exhibits.

Exhibit No.	Description
3	Amended and Restated Articles of Incorporation. Incorporated herein by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 4, 2010.
3.1	Amended and Restated By-Laws. Incorporated herein by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 26, 2012.
31.1	Certification of Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934.
31.2	Certification of Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934.
32.1	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).
101.SCH	Inline XBRL Taxonomy Extension Schema.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE YORK WATER COMPANY

Date: May 7, 2024	/s/ Joseph T. Hand Joseph T. Hand Principal Executive Officer
Date: May 7, 2024	/s/ Matthew E. Poff Matthew E. Poff Principal Financial and Accounting Officer

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EXHIBIT 31.1
CERTIFICATIONS

I, Joseph T. Hand, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The York Water Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2024

/s/ Joseph T. Hand
Joseph T. Hand
President and CEO

EXHIBIT 31.2
CERTIFICATIONS

I, Matthew E. Poff, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The York Water Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2024

/s/ Matthew E. Poff
Matthew E. Poff
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of The York Water Company (the “Company”) on Form 10-Q for the period ending March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Joseph T. Hand, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

THE YORK WATER COMPANY

Date: May 7, 2024

/s/ Joseph T. Hand
Joseph T. Hand
Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of The York Water Company (the "Company") on Form 10-Q for the period ending March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Matthew E. Poff, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

THE YORK WATER COMPANY

Date: May 7, 2024

/s/ Matthew E. Poff
Matthew E. Poff
Chief Financial Officer